IN THE UNITED STATES DISTRICT COURT
FOR THE WESTERN DISTRICT OF PENNSYLVANIA

PELLEGRINO FOOD PRODUCTS,)
INC.,)
Plaintiff)
)
v.) CIVIL ACTION NO. 05-189 ERIE
)
RHEON, U.S.A., et al.,)
Defendants)

SETTLEMENT

Proceedings held before the HONORABLE SEAN J. McLAUGHLIN, U.S. District Judge, in Judge's Chambers, U.S. Courthouse, Erie, Pennsylvania, on Wednesday, December 21, 2005.

APPEARANCES:

JOHN J. MEAD, Esquire, appearing on behalf of the Pellegrino Food Products, Inc.

ROBERT J. TRIBECK, Esquire, appearing on behalf of Rheon, U.S.A.

LISA S. BONSALL, Esquire, appearing on behalf of California First Leasing Corporation.

Ronald J. Bench, RMR - Official Court Reporter

PROCEEDINGS

(Whereupon, the on the record proceedings began at 2:38 p.m., on Wednesday, December 21, 2005, in Judge's Chambers.)

THE COURT: The parties have informed me that they have reached a settlement in this case. My understanding is that the material terms would be:

That Rheon agrees to reduce the price of the machines by $21,100, is that correct?

MR. TRIBECK: $20,100.

THE COURT: $20,100, thank you. Also, to forgive any interest running on the equipment. I'm not sure this needs to be part of the agreement, but the parties have indicated, that is Rheon and Pellegrino, on behalf of Rheon, they will agree to service those machines as may be necessary in the future, provided that prior to any service being performed, the payment therefore is received up front. They have also agreed to send a service technician or technicians to install and/or service the roller or pin, if you will, the equipment that would increase the productivity of the machines. Once again, provided that cash is received up front prior to any service being performed.

On behalf of Mr. Pellegrino, the plaintiff has

represented that his company will make best efforts, having already tried to contact its banker, to pay for the balance, the cost of the machinery within 10 days. But in no event more than 15 days from today's date. In the event that payment is not received within 15 days of today's date, they agree, that is Pellegrino, agrees to the entry of a judgment against it in the full amount of the original contract price, plus interest.

With respect to California First Leasing Corporation, California First Leasing Corporation has agreed to pay the total sum of $3,000 to Rheon USA.

And it's also contemplated that all parties will execute mutual releases after the appropriate funds have changed hands.

MS. BONSALL: We should get the release as soon as we pay the $3,000, right?

THE COURT: Right, when you pay, you're done.

MS. BONSALL: From everybody?

THE COURT: From everybody. Although, they never really had a claim against you to begin with. Did I leave anything out that is material?

MR. TRIBECK: The return of the tools or parts.

MR. PELLEGRINO: We kind of what to make sure the roller is coming into the plant to increase productivity and we'll hire the service people to show us how to use it. In the event it doesn't work, I guess we want to make sure we don't

need something that doesn't work, you follow what I'm saying.

MR. TRIBECK: My understanding is you're going to return it. If you want to buy it, you can buy it.

THE COURT: Right. But if you don't want to buy it, you don't have to buy it.

MR. PELLEGRINO: What I'm trying to say is the roller's at the plant, it was going to increase the productivity. The technicians were going to show us how to increase that productivity that they thought they could do with the roller. In the event that the roller does not work and bring the efficiency, the productivity up, we must use a piece of machine that we don't need, didn't use it, it's kind of a gray area.

THE COURT: It's not a gray area, forget about it. It's not part of this settlement agreement. That is a case for a different day.

MR. TRIBECK: With this settlement those things are all coming back to us.

THE COURT: If you want to buy them, you buy them.

MR. PELLEGRINO: Okay.

MR. TRIBECK: The agreement is you'll return those items within 10 days as well.

THE COURT: If you want to buy them, like anything else you take the risk, either they work or they don't. That is a battle for another day, that's not part of this case. As

far as I'm concerned, the only thing I would ask you do is that when all the dust is clear, is you file a Rule 41 discontinuance. As far as I'm concerned, I'm administratively closing this case. All right, thank you, counsel.

(Whereupon, at 2:42 p.m., the settlement proceedings were concluded.)

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C E R T I F I C A T E

I, Ronald J. Bench, certify that the foregoing is a correct transcript from the record of proceedings in the above-entitled matter.

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Ronald J. Bench